

NAVSUP P-729, REVERSE AUCTION GUIDEBOOK

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**REVERSE AUCTIONS
GUIDEBOOK**

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REVERSE AUCTIONS GUIDEBOOK

NAVSUP Publication 729

**NAVY DEPARTMENT
Naval Supply Systems Command
5450 Carlisle Pike
Mechanicsburg, PA 17055, July 2003**

This publication is issued for the information and guidance of all interested personnel and has been reviewed and approved.

The Reverse Auctions Guidebook provides guidelines, lessons learned, and sample contract clauses with regard to reverse auctions. Due to numerous revisions, this publication should be read in its entirety.

This publication supersedes the August 2002 edition.



D. M. Fitzgerald
Captain, SC, USN
Deputy Commander
Contracting Management
Naval Supply Systems Command

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CHAPTER 1 GENERAL

1. Purpose. The purpose of this guide is to assist Contracting Officers in identifying candidates, preparing solicitations, and utilizing the available tools in conducting reverse auctions within the source selection process.

2. Background. Reverse auction pricing is a method that allows the Government to reveal to each Offeror the prices (anonymously) of all the other Offerors. Offerors then have the opportunity to continually revise their prices as each revision is made known to all of the Offerors. The process is repeated until Offerors stop revising their prices or until the close of the auction. Two significant events have permitted the conduct of reverse auctions by the Government. First, the FAR no longer prohibits price auctioning during negotiations. Second, internet capabilities and the availability of on-line auction tools have provided the technology to conduct web-based reverse auctions with visible, anonymous, and real time bidding that can be accomplished within hours.

After completion of a successful pilot project in September 2000, the Naval Inventory Control Point (NAVICP) in conjunction with its headquarters, the Naval Supply Systems Command (NAVSUP), conducted a competitive source selection and in November 2000 awarded two contracts for reverse auction support. These two contracts offer the Navy different approaches to reverse auctioning. The first contract provides a self-service solution (See Appendix D). The second contract provides a full service solution (See Appendix E). Activities within the Navy Field Contracting System have used these support contractors to assist in conducting reverse auctions and have achieved significant cost avoidance for their customers.

3. References. Reverse auction pricing is not specifically identified in the FAR. However, reverse auction pricing can be accomplished within the context of discussions under FAR Part 15 as well as the method of receiving offers, price quotes, or conducting competition/negotiation under FAR Part 8, FAR Part 12, and FAR Part 13.

CHAPTER 2 GUIDELINES

1. Overview. All acquisition planning for firm fixed price contracts (including Commercial Items and Indefinite Delivery Type Contracts) and Simplified Acquisition Purchases (SAP) should consider a reverse auction as a pricing method. The reverse auction methodology is not a substitute for the source selection process. It is only a tool in that process. When the Contracting Officer designs the individual source selection plan, this tool should be considered for use. If the Contracting Officer determines that the use of reverse auctioning is appropriate for the acquisition in question, it should be integrated into the overall plan in a way that best serves the needs of the customer and the mission of the Navy. The following general guidelines should be observed:

- The synopsis and solicitation must inform Offerors that the Navy may conduct a reverse auction;
- The solicitation should clearly identify information required from the contractor as part of the initial proposal;
- The auction should be scheduled in conformity with the Solicitation, providing a reasonable time and date for all Offerors to participate;
- Participating contractors should be offered and provided adequate training;
 - The training task should take no more than a day for each contractor and contractors can do mock auctions for practice.
- The Contracting Officer should review the rules and protocols of the auction well before the event, and be thoroughly familiar with the roles of the Offerors, the contracted auction service providers, and Government personnel;
- The reverse auction should be conducted in a manner that reflects the Navy's dedication to a fair and even-handed acquisition process; and
- Upon completion of the auction, the Contracting Officer must still comply with all the general principles and procedures used in selecting a contractor in procurements that do not utilize reverse auctioning.

2. Suitable Acquisitions. Reverse auctions can be used for any competitive fixed price acquisitions under FAR Part 8, FAR Part 12, FAR Part 13, and FAR Part 15. To achieve significant returns on investment, high dollar purchases are recommended. However, low dollar purchases also result in relatively significant cost avoidance when considering the percentage decrease in cost compared to the Government cost estimate or previous prices. Supplies and equipment are well suited to auctions, but services that are non-complex and well-defined can also be considered suitable candidates for reverse auctioning. Normally, reverse auctions are associated with technically acceptable/low price offers. However, reverse auctions can be used for cost/technical tradeoffs as well. For the cost/technical tradeoff, the auction establishes the prices of the Offerors which the Contracting Officer can then use in the tradeoff decision subsequent to the auction.

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a. General Criteria. A summary of general criteria for suitable acquisitions is provided in Appendix A.

b. List of Items. A list of items that have been purchased using reverse auction pricing is included in Appendix B. This list is not all-inclusive but representative of the types of supplies, equipment, and services that can be priced using reverse auctions.

- Generally, cables, lighting, and very competitive service contracts have consistently experienced significant cost avoidance but an overall pattern has not emerged indicating the best or worst items for auctions. The list is categorized by percent of cost avoidance to provide examples of where cost avoidance has occurred. While a reverse auction can be conducted for any suitable acquisition, differing characteristics of suitable acquisitions will affect the practical applicability of using a reverse auction.

c. Opportunity Index. An opportunity index is provided in Appendix C to assist the Contracting Officer in selecting the most promising candidates.

- A total score of 10 or below indicates low potential. A total score of 11-15 indicates moderate potential. A total score of 16 and above indicates high potential. In the index, the potential for practical applicability is weighted toward high dollar value and number of Offerors because these two factors usually achieve the best results.
- While this index provides discriminating criteria as a guide for selecting candidates, other circumstances may also be considered.
- For example, if an activity does not have many high dollar acquisitions but sees reverse auction benefits in lower dollar acquisitions then, by all means, conduct reverse auctions. Such benefits may include increased customer satisfaction and cumulative cost reduction over many buys.
- Activities may wish to train inexperienced personnel in the use of reverse auction techniques using low dollar buys, allowing them to graduate to larger value procurements after gaining experience.
- Further, when an acquisition does not score high on the index but all initial offers are higher than the amount of funds the requiring activity has to obligate, use of a reverse auction may result in a price decrease so that the available funds are sufficient. This, of course, would require a new or amended solicitation.
- While the opportunity index provides a tool to select candidates, its rigid enforcement as the "litmus test" for candidate selection would be too confining. Its purpose is not to limit discretion, but to help the Contracting Officer to identify situations in which significant potential savings can occur.

d. Economy of Use. Contracting Officers should consider the availability of NAVSUP sponsored contractor support as another factor contributing to the economic benefits available through reverse auctioning. As of the date of this guidance, NAVSUP maintains an annual subscription for unlimited usage of self-service reverse auctioning (See Appendix D).

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Accordingly, the Contracting Officer may find it economically feasible to use reverse auctioning with purchases involving smaller dollar values.

3. Internet-Based Reverse Auctions

a. Source Selection Strategy. As with any procurement under FAR Part 15, the Navy will require Offerors to submit initial technical proposals, either in writing, as oral presentations, or a combination of the two. Offerors will also submit initial price offers.

- The Contracting Officer may determine that initial offers are in the best interest of the Navy because there is a reasonable possibility that the originally offered prices will be low enough to justify an immediate award on initial proposals, and forego the entire auctioning process.
- In the event that the initial offers do not represent the most advantageous pricing for the Navy, the Contracting Officer may thereupon conduct the reverse auction. The auction would thereupon serve as a mechanism to amend initial prices, thus requiring the formation of a competitive range.
- The formation of the competitive range is a function of the process of discussions under FAR Part 15. If a competitive range is established, the Contracting Officer must be prepared not only to conduct discussions in form of the auction (i.e., pricing discussions), but also to identify all deficiencies and significant weaknesses in the technical proposal (i.e., technical discussions).
- As part of the source selection design process, the Contracting Officer may consider limiting the discussions to the auction itself (i.e., price discussions only), and foreclose technical discussions. This limitation must be clearly identified in the Solicitation, and the Contracting Officer should consult with Office of Counsel regarding the legal ramifications of this approach.
- For SAP procedures, initial offers are not required. Also, for SAP, the length of the auction can be structured for a duration of days to allow for auctions similar to commercial on-line auctions. Appendix F provides language for a commercial combined synopsis/solicitation.

b. Instructions to Offerors/ Rules.

(1) Section L of the solicitation should include instructions regarding the reverse auction process, procedures, and rules. Appendices D and E are examples of solicitation language and may be used as a starting point. Contracting Officers, however, must exercise due diligence to ensure that the language in the Instructions to Offerors is properly tailored to match the source selection design and accurately reflect specific auction parameters (pricing, timing, and others).

- Appendix D provides solicitation language for internet-based self-service solution reverse auctions.
- Appendix E provides solicitation language for internet-based full service solution reverse auctions.

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- (2) For FAR Part 13 acquisitions, the solicitation language should be tailored for SAP procedures. For FAR 12.603 procedures, Appendix F is provided as an example.
- (3) The Contracting Officer must ensure that instructions to Offerors are in accordance with the following guidelines:
 - Set the time and date of the auction. Try to conduct the auction during normal business hours if at all possible, so that all participants can have access to key staff members during the event. Also consider time zones, particularly the three-hour difference between the East Coast and West Coast.
 - Establish the minimum bid decrements. Rules for minimum bid decrements should be considered (*and established on a case-by-case basis*). On a large value auction the minimum size of a bid decrement should be significant. Small bid decrements tend to waste a great deal of time because many successive small bids could have the effect of extending the auction for a long period of time. Typically, the industry standard for bid decrements is between .25% and .50% of the estimated contract dollar value.
 - Establish the currency for the offering of bids. Reverse auction software has the ability to receive bids in US dollars or a variety of international currencies if your requirement dictates.
 - Establish the rules for extensions. Extensions occur when a bid is received within certain pre-determined parameters at the end of the initial auction period. For example, if a bid is received within the last five minutes of an auction, the auction will be extended for another period of minutes. The same rules will apply during the extension so that there may be several extra time periods after the initial auction period has completed. This provides the opportunity for all bidders to submit their final bids before the closing of the event and will not disadvantage any bidder that has a slower Internet connection.

It is usually in the best interest of the Government to allow unlimited extensions. If extensions are limited, Offerors with potentially lower prices may be locked out because not enough time is available to bid before the auction is closed. Allowing unlimited extensions allows every Offeror to bid a lower price. Eventually, Offerors cannot afford to bid lower prices, so while unlimited extensions are allowed, the total time of the auction is self limiting because Offerors stop bidding. For example, an auction may be set for one hour with unlimited extensions (each five minutes) but after six extensions there are no more bids and the auction closes after a total time of ninety minutes. The key element in limiting the length of time an auction lasts is the bid decrement. The contracting officer should ensure the bid decrement is high enough to enable participants to reach their low bid position quickly.

- Ensure all Offerors are anonymous. All bidders will remain anonymous to each other. Although the bidders do not view names associated with bids being submitted, the buyer will be able to view the names of all bidders during the event.

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- Establish the starting price of bids. The Contracting Officer should establish the starting price for the bids that will be submitted. The starting price should be based upon sound market research, historical pricing, initial offers, and/or the Independent Government Estimate. The Contracting Officer should establish a reasonable starting price to encourage participation by the “invited” suppliers. The Contracting Officer will make the determination of whether a “reserve price” will be viewable by the bidders. The “reserve price” is defined as the maximum price that the Government is willing to pay for the contract.
- Ensure bidder participation availability. Contingency plans should anticipate a situation wherein potential Offerors do not have the ability to submit “revised pricing” via the reverse auction. The Contracting Officer has the discretion to pause an event or re-open an event when a bidder has technical difficulties during the event. This capability/method must be identified in the solicitation.

c. Number of Offerors. There must be two or more Offerors.

d. Training. There must be sufficient time allowed for the training of Offerors and arranging the configuration of the reverse auction.

- With regard to structuring and conducting the auction, contracting offices within the Navy Field Contracting System have some trained or experienced personnel. Contracting Officers should coordinate with the trained or experienced personnel to transfer knowledge to first time users.
- Contracting Officers should identify and coordinate with training resources. Training for self-service internet-based auctions is discussed in Appendix D. Training for full service internet-based auctions is discussed in Appendix E.

e. Monitoring. During the reverse auction event, the connectivity of Offerors must be continually monitored to ensure an Offeror is not prevented from participating.

f. Documentation. The Contracting Officer should ensure that all relevant documentation from the auction is printed and included in the contract file. A record of auction events should be kept in the contract file, in case access to the software is unavailable in the future. The contracting office should also maintain a database with information necessary to allow for the analysis of reverse auctions. For NAVSUP Claimancy activities the information shall include but is not limited to:

1. Solicitation numbers
2. Contract/Award number (and order number if applicable)
3. Nomenclature
4. NSN
5. Auction price
6. Cost avoidance
7. Percent of decrease
8. Date of auction
9. Total award price
10. Option value
11. Date of award

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12. Comments (Customer information, if award price is different than auction price, if award is not made, why, etc.)
13. Number of auction participants

It is recommended that the above information be retained by all activities performing reverse auctions.

Particular attention must be paid to documenting the Government estimate. There should be a clear explanation of the origin of the estimate, including the quantity used to compute it. The value of costs avoided should be clearly defined; if option values are included, or if additional quantities have been added since the original estimate, etc.

CHAPTER 3

LESSONS LEARNED

1. Items. Reverse auctions can be used for a wide variety of supplies, equipment, and services.

- However, reverse auctions for volatile spot market commodity items are risky. They will provide real time prices, but may cause uncertainty and could result in price increases due to the rapidly changing market. The Contracting Officer should consider this fact when initiating the source selection design. The market uncertainty is the same when using traditional pricing methods. It is imperative that contract awards are made in a timely manner to reduce any time delay between offer and acceptance. In a commercial commodities market, such a delay between offer and acceptance may diminish the likelihood of a vendor being able to "deliver the goods" (both literally and figuratively) at the quoted price.

2. Bidding Structure. Bidding for multiple line items by lot facilitates the conduct of the auction by reducing the number of items for bid. Bidding on numerous line items with a small minimum bid increment will result in a very long auction that may last for days. Limit line items to as few as possible with a practical minimum bid decrement. If there are numerous line items, consider consolidating the solicitation line items into fewer lots for bidding purposes only. After the auction, have the successful Offeror provide individual prices for the original solicitation line item structure. Another approach is to have Offerors bid one bottom line price but after the auction, request the successful bidder to submit the prices of all the line items that comprise the bottom line price for inclusion in the contract. The bottom line approach may also be applied by reducing all line items by the percentage that the bottom line was reduced in the auction.

3. Extensions. Unlimited extensions are preferable to limiting extensions. Limiting extensions stifles the auction bidding because Offerors may wait to the last few seconds of the last extension to try and submit the last bid before the auction is closed. Additionally, contractors with slower internet connections (e.g., a dial-up modem vice a T1 line) could be at a considerable disadvantage at the end of an auction with a scheduled end. However, if extensions are limited be sure that the extended closing time (if stated in the RFP) is the same time that the last extension ends.

4. Problems. In the event that problems or technical difficulties arise during the conduct of a reverse auction, Contracting Officers should pause the auction until the problem is fixed. In the event that the problem cannot be fixed or the problem is discovered after the auction, Contracting Officers have the discretion to amend the solicitation and request traditional Final Price Revisions* or continue the auction at a later date/time once the technical issues are resolved. In any problematic situations, Contracting Officers should closely coordinate their course of action with legal counsel.

* See GAO cases B-287643.2 and B-288653. In both of these cases, there was a problem with the closing time of the auctions and Contracting Officers used traditional methods to request Final Price Revisions. The GAO considered the request for Final Price Revisions an acceptable way to correct the auction discrepancy.

APPENDIX A

IDENTIFICATION OF REVERSE AUCTION CANDIDATES

<u>ACQUISITION CHARACTERISTIC</u>	<u>CANDIDATE</u>		<u>COMMENT</u>
	<u>YES</u>	<u>NO</u>	
FAR Parts 8, 12, 13, and 15	X		Must be a competitive fixed price acquisition.
Supplies or Equipment	X		
Services	X		
Numerous Line Items	X		See Note 1.
Low Priced Technically Acceptable	X		Auction sets prices but Contracting Officer must make responsibility determination.
Technical-Cost Trade-off	X		Auction sets prices but Contracting Officer must make trade-off decision. See Note 2.
Task Order or Delivery Order Under Multiple Award Competition	X		Must be fixed price orders. Must be at least three contractors to assure Offerors are anonymous
Commodities with Volatile Prices	X		Prices may increase, however, current market prices are obtained.

Note1: If practical, numerous line items should be consolidated into lots for bidding purposes. As discussed in Lessons Learned, Chapter 3, paragraph 2, an auction with numerous line items that is not structured properly may become unreasonably long or difficult to manage. Therefore, Contracting Officers should ensure that the bidding strategy is appropriate for numerous line items or consolidate line items into lots for bidding purposes.

Note 2: When Offerors are evaluated using a technical-cost trade off, extensions to the closing time must be triggered by any new *lower* bid (i.e., lower than their own previous bids), not just the new *lowest* bid in the overall auction. In a technical-cost trade-off, Offerors may not be trying to become the lowest bidder but are enhancing their trade-off value by reducing their price. Therefore, other Offerors must be given the time to reduce their prices even if they do not bid the lowest price. In this situation, care must be taken to ensure the language in the solicitation is consistent with the way the auction is constructed.

APPENDIX B

ITEMS PURCHASED USING REVERSE AUCTIONS

Cost Avoidance under <5%

Lumber
Midget Lamps
Optical Sensors
Non-skid Decking
Bottled Freon
Ammonia Water
Habitability
Dockside repairs

Cost Avoidance 5-10%

Lumber
Utility Coveralls
Microphone Assemblies
Sub Camels

Cost Avoidance 11-25%

Lumber
Drayage Services
Mess Attendant Services
Shipboard Berthing
Chemicals
Nitrogen
E2C Wheels
Cargo Handling Slings
Lighting
Frozen Potatoes
Legacy System
Linens
Laminate Cloth

Cost Avoidance 26-49%

Dockside Repairs
Habitability
Courier Services
Meals and Lodging Services
CVN Camels
Recovery Sequencers
Shipboard Lockers
Personal Computers
Cable
SH60 FLIR Containers
Shipping Containers
Paint
Washers and Dryers
Light Bulbs
Connectors
Refrigerators
Fire Extinguishers

Cost Avoidance Over 50%

Packing and Crating Services
Solenoid Valve
Environmental Test Sets

APPENDIX C

REVERSE AUCTION OPPORTUNITY INDEX

Review each requirement and answer the following questions:

1. Is contract expected to be Firm Fixed Price? N Y
2. Is the requirement competitive? N Y

If answers are Y, continue. If either answer is N, proceed using traditional methods.

Assign points to the requirement based upon the following criteria:

Value of the requirement:

\$0 - \$100K*	=	1 point	* For SAP, consider use of the self-service auction solution*
\$100K - \$499K	=	3 points	
\$501K - \$1M	=	5 points	
> \$1M	=	7 points	

Number of potential/expected Offerors:

2	=	1 point
3	=	5 points
4 or more	=	8 points

Number of Line Items or Lots:

1 - 4	=	5 points
5 - 8	=	3 points
9 - 12	=	1 point
> 12	=	0 points

Type of Item:

Raw Material	=	1 point
Manufactured (non-complex)	=	3 points
Manufactured (complex)	=	5 points
Services	=	5 points

Total Opportunity Score

Score Index: 0 - 10 points Low Potential for Cost Avoidance
 11 - 15 points Moderate Potential
 16 and above High Potential

Contract Specialist: This requirement ____ is ____ is not suitable for reverse auction. If not, explain why.

APPENDIX D

PROCURI SOLICITATION LANGUAGE

1. The current contractor for self-service reverse auction capability is Procuri.com.
2. Suggested clause language:

REVISED PRICE PROPOSALS VIA REVERSE AUCTION

A. REVERSE AUCTION NOTIFICATION

1. In the event that the contract is not awarded based on initial offers, revised prices will be submitted during a competitive, anonymous, on-line reverse auction, herein after referred to as a Dynamic Pricing Event (DPE). Potential Offerors or Quoters are encouraged to read and/or register on the reverse auction web site identified herein prior to preparing or submitting an offer or a quote in response to this solicitation. The review of the registration requirements, user agreement, usage guidelines, and privacy policy contained at <http://www.govauctions.procuri.com> are critical; since submission of an offer or a quote indicates your agreement to the site owner's terms.
2. The Contracting Officer anticipates that a DPE will be conducted within ____ calendar days of the closing date of this solicitation. Qualifying Offerors or Quoters will be notified of the specific date and time of the reverse auction at least ____ working days prior to commencement of the event. Notification will be by electronic mail, return receipt requested. Offerors or Quoters who are to participate in the DPE agree to submit revised pricing only through the on-line mechanism supplied by Procuri.com.
3. In order for an Offeror or a Quoter to be considered for award and participate in the DPE, the Offeror or Quoter must be responsive to all terms and conditions of this solicitation (which includes the agreement to participate in a DPE. The Offeror must agree to the terms of the User Agreement, Usage Guidelines, and Privacy Policy provided by Procuri.com during the registration process. Submission of a proposal or quote in response to this solicitation shall constitute such agreements by the Offeror or Quoter. As a minimum, Offeror or Quoter acknowledges and agrees--
 - a. That any software or hardware problems associated with the on-line reverse auction shall solely be the responsibility of the Offeror or Quoter in accordance with the terms and conditions of this solicitation and the Procuri.com User Agreement.
 - b. That it is an independent contractor with respect to Procuri.com. Each Offeror or Quoter agrees to release Procuri.com from any liability with respect to the DPE or the conduct of any participant in the DPE, regardless of whether such liability arises under the contract, tort, or any other theory.
 - c. To keep the passwords and materials provided by Procuri.com or (ACTIVITY NAME) in confidence. The Offeror or Quoter further agrees to keep its own pricing and the pricing of all other participants in the DPE in confidence until after contract award.

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4. Submission of a proposal or quote in response to this solicitation shall constitute the Offerors' or Quoters' consent to have their prices revealed in anonymity during the DPE. By participating in the DPE, Offerors or Quoters agree that they are knowingly consenting to disclose their price(s) to the other participating Offerors or Quoters, but only during the DPE. Each Offeror or Quoter further agrees that disclosure of its prices during the DPE shall not be for the purposes of restricting competition.

B. PRIOR TO THE DPE

1. **Initial Offers/Quotes.** Offerors or Quoters shall submit initial price proposals or quotes along with all other required documentation to (Activity Name) as described herein. Upon submission of their proposal or quote, Offerors or Quoters must complete the registration process by following the procedures and guidelines established by Procuri.com at <http://www.govauctions.procuri.com>. The DPE shall not be delayed because an Offeror or Quoter fails to complete the registration process prior to the starting time on the date of the DPE.
2. **Offer/Quote Evaluation.** After initial offers or quotes are evaluated as described in the Evaluation of Offers provisions of this solicitation, the Contracting Officer may proceed with the DPE process. However, the Contracting Officer reserves the right to award upon initial price proposals or quotes and, therefore, may elect not to conduct the DPE.
3. **Notification and Training.** Prior to the DPE, (Activity Name) will notify each qualifying Offeror or Quoter that they have been selected to participate in the DPE. (Activity Name) or Procuri.com will provide training on the Dynamic Pricing Event process and the details pertaining to this solicitation's DPE. Written information not contained or attached to this solicitation that concerns the Dynamic Pricing Event may be provided to each participating Offeror or Quoter as part of his or her training. **Procuri.com includes pertinent information on its web site at www.govauctions.procuri.com.**
4. **Procuri.com and Government Trainer Interaction with Offerors.** Offeror or Quoter interaction with Procuri.com and (Activity Name) personnel during the registration and training process is for the sole purpose of facilitating the DPE. Such communication shall not be considered discussions with the Offerors or Quoters within the meaning set forth in FAR Part 15.

C. DURING THE DPE

1. **Discussions.** The DPE shall be considered the opening of discussions as defined at FAR Part 15.306(d). Offerors or Quoters may, but are not required to, revise their initial pricing proposal or quotation during the DPE. Revised price offers or quotes shall be electronically submitted via the Procuri.com on-line mechanism by Offerors or Quoters during the DPE. Offerors or Quoters shall not submit revised pricing via any other mechanism including (but not limited to) post, courier, fax, e-mail, or orally unless specifically authorized by the Contracting Officer (see paragraph D for further details).

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2. **DPE Connection.** The invited Offerors or Quoters shall be provided the opportunity to connect to the Procuri.com web site (www.govauctions.procuri.com) via Internet connection. Offerors or Quoters will register for the scheduled event using the Procuri.com software solution. Offerors or Quoters shall be responsible for providing their own computer system and connecting to the telecommunications service used for each DPE via their own Internet Service Provider (ISP).
3. **Time Period.** The DPE will be conducted for a period of minutes or hour(s). If an offer or quote is submitted within the last minutes of the time period, the DPE period shall be extended for an additional minutes, if the offer/quote is the lowest price received. The time shall be extended for an unlimited number of -minute extension periods, if a lower offer/quote is submitted within the last minutes. The final price revision submitted during the DPE will be considered the Offeror's Final Price Proposal (see D.1 below for additional information).
4. **Problems.** Any Offeror having problems during a DPE must notify the Contracting Office at (Activity Name) immediately. A "problem" is an event that interferes with the Offeror's ability to participate in the DPE and includes, but is not limited to, (1) Internet connection and re-connection difficulties, (2) software or hardware failures, and (3) data entry errors. After the close of the auction, Offerors will have minutes after the DPE goes into the "Quiet Period" status to notify the Contracting Office of any problems. The names and phone numbers of the (Activity Name) employees who will be available for assistance during the DPE will be provided to each invited Offeror prior to the starting time and date of the event. If the Contracting Officer judges that any Offeror is disadvantaged by the identified problem, Procuri.com and (Activity Name) may, at the sole discretion of the Contracting Officer, correct the problem, pause and may reopen the DPE, or cancel the DPE.

D. AFTER THE DPE

1. **Closing Price Discussions.** Discussions concerning price shall normally conclude at the close of the DPE. No price revisions will be accepted after the close of the DPE from any of the participants, unless the Contracting Officer re-opens pricing discussions with all participants and requests final price proposals in accordance with FAR 15.307.
2. **No Automatic Award Determination.** The Contracting Officer has determined that price is not the only factor to be considered when determining which Offeror shall receive the contract award. Therefore, the Offeror with the lowest price at the close of the Dynamic Pricing Event may not automatically be awarded the contract or purchase order that results from this solicitation.
3. **Notification of Unsuccessful Offeror(s).** The Contracting Officer shall award a contract based on all the factors identified in this solicitation. The unsuccessful DPE participants will be sent a post-award notification, if required by FAR 15.503(b), via e-mail correspondence or the Procuri.com notification system.

APPENDIX E

EDS/EBREVIATE SOLICITATION LANGUAGE

1. The current contractor for full service reverse auction capability is EDS/Ebreviate.
2. Suggested clause language:

REVISED PRICE PROPOSALS VIA REVERSE AUCTION

A. REVERSE AUCTION NOTIFICATION

1. In the event that the contract is not awarded based on initial offers, revised prices will be submitted during a competitive, anonymous, on-line reverse auction, herein after referred to as a Dynamic Pricing Event (DPE).
2. The Contracting Officer anticipates that a DPE will be conducted within calendar days of the closing date of this solicitation. Qualifying Offerors or Quoters will be notified of the specific date and time of the reverse auction at least working days prior to commencement of the event. Notification will be by electronic mail, return receipt requested. Offerors or Quoters who are to participate in the DPE agree to submit revised pricing only through the on-line mechanism supplied by EDS/Ebreviate.
3. In order for an Offeror or a Quoter to be considered for award and participate in the DPE, the Offeror or Quoter must be responsive to all terms and conditions of this solicitation (which includes the agreement to participate in a DPE. The Offeror must agree to the terms in Paragraph E below. Submission of a proposal or quote in response to this solicitation shall constitute such agreements by the Offeror or Quoter. As a minimum, Offeror or Quoter acknowledges and agrees--
 - a. That any software or hardware problems associated with the on-line reverse auction shall solely be the responsibility of the Offeror or Quoter in accordance with the terms and conditions of this solicitation and Paragraph E below.
 - b. That it is an independent contractor with respect to EDS/Ebreviate. Each Offeror or Quoter agrees to release EDS/Ebreviate from any liability with respect to the DPE or the conduct of any participant in the DPE, regardless of whether such liability arises under the contract, tort, or any other theory.
 - c. To keep the passwords and materials provided by EDS/Ebreviate or (Activity Name) in confidence. The Offeror or Quoter further agrees to keep its own pricing and the pricing of all other participants in the DPE in confidence until after contract award.
4. Submission of a proposal or quote in response to this solicitation shall constitute the Offeror's or Quoter's consent to have their prices revealed in anonymity during the DPE. By participating in the DPE, Offerors or Quoters agree that they are knowingly consenting to disclose their price(s) to the other participating Offerors or Quoters, but only during the DPE. Each Offeror or Quoter further agrees that disclosure of its prices during the DPE shall not be for the purposes of restricting competition.

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B. PRIOR TO THE DYNAMIC PRICING EVENT

1. **Initial Offers/Quotes.** Offerors or Quoters shall submit initial price proposals or quotes along with all other required documentation to (ACTIVITY NAME) as described herein.
2. **Offer/Quote Evaluation.** After initial offers or quotes are evaluated as described in the Evaluation of Offers provisions of this solicitation, the Contracting Officer may proceed with the DPE process. However, the Contracting Officer reserves the right to award upon initial price proposals or quotes and, therefore, may elect not to conduct the DPE.
3. **Notification and Training.** Prior to the DPE, (ACTIVITY NAME) will notify each qualifying Offeror or Quoter that they have been selected to participate in the DPE. (ACTIVITY NAME) or EDS/Ebreviate will provide training on the Dynamic Pricing Event process and the details pertaining to this solicitation's DPE. Written information not contained or attached to this solicitation that concerns the Dynamic Pricing Event may be provided to each participating Offeror or Quoter as part of his or her training.

C. DURING THE DPE

1. **Discussions.** The DPE shall be considered the opening of discussions as defined at FAR Part 15.306(d). Offerors or Quoters may, but are not required to, revise their initial pricing proposal or quotation during the DPE. Revised price offers or quotes shall be electronically submitted via the EDS/Ebreviate on-line mechanism by Offerors or Quoters during the DPE. Offerors or Quoters shall not submit revised pricing via any other mechanism including (but not limited to) post, courier, fax, e-mail, or orally unless specifically authorized by the Contracting Officer (see paragraph D for further details).
2. **DPE Connection.** Offerors or Quoters shall be responsible for providing their own computer system and connecting to the telecommunications service used for each DPE via their own Internet Service Provider (ISP).
3. **Time Period.** The DPE will be conducted for a period of minutes or hour(s). If an offer or quote is submitted within the last minutes of the time period, the DPE period shall be extended for an additional minutes, if the offer/quote is the lowest price received. The time shall be extended for an unlimited number of minute extension periods, if a lower offer/quote is submitted within the last minutes. The final price revision submitted during the DPE will be considered the Offeror's Final Price Proposal (see D.1 below for additional information).
4. **Problems.** Any Offeror having problems during a DPE must notify the Contracting Office at (ACTIVITY NAME) immediately. A "problem" is an event that interferes with the Offeror's ability to participate in the DPE and includes, but is not limited to, (1) Internet connection and re-connection difficulties, (2) software or hardware failures, and (3) erroneous data entry errors. After the close of the auction, Offerors will have minutes after the DPE goes into the "Quiet Period" status to notify the Contracting Office of any problems. The names and phone numbers of the (ACTIVITY NAME) employees who will be available for assistance during the DPE will be provided to each invited Offeror prior to the starting time and date of the event. If the Contracting Officer

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judges that any Offeror is disadvantaged by the identified problem, EDS/Ebreviate and (ACTIVITY NAME) may, at the sole discretion of the Contracting Officer, correct the problem, pause and may reopen the DPE, or cancel the DPE.

D. AFTER THE DPE

1. **Closing Price Discussions.** Discussions concerning price shall normally conclude at the close of the DPE. No price revisions will be accepted after the close of the DPE from any of the participants, unless the Contracting Officer re-opens pricing discussions with all participants and requests final price proposals in accordance with FAR 15.307.
2. **No Automatic Award Determination.** The Contracting Officer has determined that price is not the only factor to be considered when determining which Offeror shall receive the contract award. Therefore, the Offeror with the lowest price at the close of the Dynamic Pricing Event may not automatically be awarded the contract or purchase order that results from this solicitation.
3. **Notification of Unsuccessful Offeror(s).** The Contracting Officer shall award a contract based on all the factors identified in this solicitation. The unsuccessful DPE participants will be sent a post-award notification, if required by FAR 15.503(b).

E. EDS/EBREVIATE INTERACTION

1. **EDS/eBreviate Interaction with Offeror.** Any and all Offeror interaction with EDS/eBreviate is for the sole purpose of facilitating the DPE and shall not be considered discussion with the Offeror within the meaning of FAR Part 15.
 - a. EDS/eBreviate will (1) contact each Offeror identified by the Contracting Officer to participate in the DPE, and (2) explain the process to such Offerors.
 - b. In order for an Offeror to participate in the DPE, such Offeror must agree with the terms and conditions of the entire solicitation. Submission of a proposal in response to the solicitation will be considered such agreement by the Offeror.
 - c. Each Offeror is an independent contractor with respect to EDS/eBreviate. Each Offeror agrees to release EDS/eBreviate from any liability with respect to the DPE or the conduct of any participant in the DPE, regardless of whether such liability arises under contract, tort, or any other theory.
 - d. Offerors shall keep confidential the passwords and other confidential materials provided by EDS/eBreviate and/or (Activity Name), and all pricing provided by another party. Offerors shall keep their own pricing in confidence until after contract award.
 - e. Any Offeror experiencing difficulties during a DPE must notify EDS/eBreviate immediately. EDS/eBreviate will provide a telephonic "Help Desk" number at the time of training. "Difficulties" include any event or problem which interferes with the Offeror's ability to participate in the DPE and may include, but is not limited to: data entry errors, software problems, or hardware problems. If the Contracting Officer judges that any

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Offeror has been disadvantaged by a problem, the Contracting Officer may, but is not required to, reopen the DPE.

f. In the event of a failure of the Offeror's ISP connection, network connection, PC, or any other hardware or software problem that cannot be resolved, a surrogate bidder can and will be provided by EDS/eBreviate to assist Offerors in submitting bids. Surrogate bidding can also be pre-scheduled with EDS/eBreviate for those Offerors not having the minimum software/hardware requirements described below. Surrogate bidding includes telephonic submission of bids from the offeror to EDS/eBreviate personnel for further entry into the on-line DPE. EDS/eBreviate personnel will also keep offerors apprised of the leading bid and the status of the DPE.

- 2. Dynamic Pricing Event Connection:** The Offeror shall be provided the opportunity to connect to the EDS/eBreviate web site via Internet connection. Offerors shall be responsible for (1) providing their own personal computers, and (2) connection of such personal computers to the telecommunications service used for each DPE via the Offeror's Internet Service Provider (ISP).

Technology Requirements

Technology	Recommended Requirement	Minimum Requirement
PC Processor	Pentium II level PC, with greater than 150 MHz processor	If using Internet Explorer 4.0: — A 486 with a 66 Mhz processor and 12 MB of RAM If using Netscape 4.7: — Pentium PC, 16 MB of RAM
Browser	Netscape 4.7 or Internet Explorer 4.0 or higher (IE4.0 preferred) ¹ (Important: see note in this section on Browser settings)	Netscape 4.7 or Internet Explorer 4.0 or higher ¹ (Important: see note in this section on Browser settings)
Internet Connection Speed	38,000 bps	24,800 baud
Monitor Resolution	1024 x 768	680 X 480

¹ Current versions of Netscape or Microsoft Internet Explorer are available free on the Internet from Netscape's and Microsoft's web sites.

Hint: For improved internet connection speed, use a corporate T1 connection.

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Security

eBreviate has taken significant steps to ensure the security and privacy of the data you submit to the system. The Auction system is hosted on a firewall-protected server located at one of the leading Internet Service Providers, who also hosts many servers for Yahoo!®.

SSL Encryption is used to secure the data entered by the bidders. The auction web site will be hosted on a secure web server (https) using 128 bit encryption. A digital certificate is used to identify the secure web site hosting the auctions. This ensures that the bidders' bids are indeed being sent to the correct, certified web site.

Browser settings

It is important that your Internet browser be set to access the most recent information from the auction system (to temporarily remove "caching"). To ensure this, please check that your browser is set to update information at every visit to a screen.

Instructions for Internet Explorer:

- Go to 'View' on the Internet Browser menu bar (or "Tools" in IE 5.0) and select 'Internet Options.'
- In the 'General' tab, click on the 'Settings' button in the 'Temporary Internet files' section.
- Select 'Every visit to the page' and click 'OK.'
- You may need to restart your computer to initialize the new settings.

Instructions for Netscape:

- Go to 'Edit' on the Browser menu bar at the top of the screen and select 'Preferences.'
- Click on the + sign next to Advanced.
- Click on Cache.
- Click on the radio button 'Every time.'
- You may need to restart your computer to initialize the new settings.

Are you a Corporate Network User whose company has restrictive Internet policies?

When first installed, all Browsers are set to allow JavaScript to be used and Cookies to be accepted. In some corporations with severe security restrictions, they turn this off. If you are unsure, or have had troubles using the eBreviate offerings, check your Browser settings by following the simple instructions below:

Instructions for Internet Explorer 5:

- JavaScript and cookies – Check if Enabled:
1. Go to the security features
 - Click on the "Tools" button on the Browser Menu
 - Click on Internet Options, then the Security tab, and then the Custom Level button.
 2. Scroll to the "Scripting" section
 - Under Active scripting, choose "Enable" next to "Allow paste operations via script"
 - Also choose "Enable" next to "Scripting of Java applets"
 3. Scroll to the "Cookies" section
 - Choose "Enable" next to "Allow cookies that are stored on your computer"
 - Also choose "Enable" next to "Allow per session cookies (not stored)"
 - Click OK button.

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Instructions for Internet Explorer 4.x:

- JavaScript and cookies – Check if Enabled:
- 1. On the Browser Headings, click "View"
 - Click on "Internet Options"
 - Click the "Security" tab
 - Click the "Advanced" button
- 2. Scroll to the "Security" section
 - Under "Cookies," select "Always accept cookies."
 - Click OK button.

Instructions for Netscape Navigator 4.7:

- Click Edit, and then click on Preferences.
- Click the Advanced option.
- Under the Cookies section click on the "Accept all cookies" option.
- Click OK button.

3. Training:

- a. EDS/eBreviate will train designated employees of each Offeror in telephonic training sessions using "test auctions" and hard copy supplier User Manuals to familiarize the Offerors' employees with the on-line auctioning system.
- b. An employee of an Offeror who successfully completes the training provided by EDS/eBreviate pursuant to Paragraph 3.a shall be designated as a "Trained Offeror." Only Trained Offerors may participate in a DPE. The Contracting Officer reserves the right to request that Offerors provide an alternate Offeror employee to become a "Trained Offeror." The Contracting Officer also reserves the right to take away the "Trained Offeror" designation from any Trained Offeror who fails to abide by the terms and conditions of the RFP.

4. Conduct of the DPE: For the preparation and conduct of each DPE, EDS/eBreviate will provide staff to handle all DPE related activities as follows:

- a. Load all relevant DPE and technical parameters provided by (Activity Name) into the on-line auctioning system;
- b. Ensure that only invited Trained Offerors and designated (Activity Name) personnel have access to appropriate DPE information;
- c. Authenticate the identities of all Trained Offerors and designated (Activity Name) personnel involved in the DPE and maintain password security within the on-line auctioning system;
- d. Maintain a designated location and designated personnel to call with questions or technical problems before, during, and within a reasonable time after the DPE;
- e. Establish and maintain a secure web-based on-line auctioning system;
- f. Respond in a timely manner to Trained Offerors issues with software or connectivity;
- g. Conduct procedures for ensuring that Trained Offerors are prepared and present on the day of the DPE.
- h. Communicate any changes or adjustments to all Trained Offerors; and
- i. Respond to Trained Offerors problems that might prevent participation.

APPENDIX F

COMBINED SYNOPSIS/SOLICITATION LANGUAGE

REVERSE AUCTION:

Pricing will be submitted during a competitive, anonymous, on-line reverse auction. The reverse auction will commence on (Fill In) and terminate on (Fill In) at (Fill In). Offerors will submit pricing only through the on-line mechanism supplied by (Fill In Support Contractor). Offerors will not submit pricing via any other mechanism including but not limited to post, courier, fax, E-mail, or orally unless specifically requested and or authorized by the Contracting Officer.

This announcement constitutes an invitation to submit an offer. Offerors shall complete the registration process through (Fill In Support Contractor) in accordance with the established procedures and guidelines. All Offerors are invited to access and take part in a reverse auction on-line, where Offerors will be able to bid or view applicable data. (Fill In) will be available to assist Offerors and provide training for the event, as well as provide the necessary additional information, agreements, and instructions to each participant.

All bids must be in the legal currency of the United States of America.